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West and East Seek to Aid Portugal

Lisbon's NATO allies and the Soviets are stepping up their efforts to provide aid to Portugal.

The West Germans Social Democrats are in the forefront of West European parties urging increased aid to Portugal. They believe Portugal needs export markets and that the EC should move more quickly to help, perhaps by granting Portugal preferential treatment as a developing nation.

Paris is also seeking better ties with Portugal and President Costa Gomes is coming to Paris on an official visit next month.

The EC foreign ministers on May 5 devoted most of their restricted session to consideration of Portugal. They agreed to ask the Commission to look into specific ways of helping the Portuguese through financial aid for industrial development, technical and professional help for small and medium-sized industries, an improvement in the position for Portuguese workers in the EC, and improved arrangements for trade.

The Canadian and Portuguese foreign ministers recently agreed to make plans for expanding economic ties between the two countries. Portuguese Foreign Minister Antunes seemed to envisage an umbrella accord covering economic, cultural and commercial relations. He was particularly interested in modernization of agriculture.

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Antunes told the Canadian that Lisbon wants to continue participation in NATO but hopes that the alliance would accord equal importance to economic matters.

The strong showing of the moderate parties in the recent Portuguese elections has encouraged the West to provide economic aid, but concern about political developments in Portugal continue. [redacted]

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Western concern is likely to be heightened by Lisbon's recent announcement that Prime Minister Goncalves who is regarded as sympathetic to the Communists will attend the NATO summit at the end of this month. Despite Lisbon's substitution of Goncalves for the more moderate Costa Gomes, the Western nations will probably proceed with their aid plans.

Meanwhile, the Soviets, are becoming steadily more active in trade and aid for Portugal. According to a recent Soviet economic publication, Moscow plans to assist Lisbon in developing its aluminum and cement industries, reconstruction of a coal mine and possible assistance in the construction of a nuclear power station, which would be Portugal's first. The Soviets also plan to assist the Portuguese fishing industry, including training Portuguese specialists in the USSR and conducting joint research at sea. Nineteen Soviet

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foreign trade organizations will participate in the Lisbon International Fair this year, the first time the Soviets will have been represented.

Negotiations have been completed or are underway for Soviet purchases of traditional Portuguese exports such as shoes, hides and wine. Moscow's motivation in making these deals is primarily political; it wants to be in a position to influence events in Portugal and provide an alternative to reliance on the West. [redacted]

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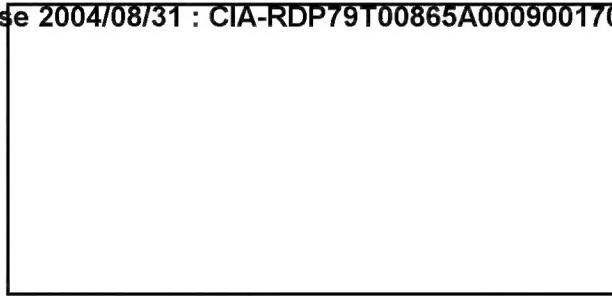
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Possible Dutch Cabinet Crisis

A Labor Party proposal to set aside a portion of undistributed company profits for eventual distribution to workers has precipitated a government crisis. Economics Minister Lubbers, representing the Catholic People's Party, opposed the measure and has threatened to resign unless wage increases are tied to productivity.

Lubbers' stand has split the confessional parties' ministers in the government, some of whom might also resign. Although nearly all parties agree that elections now are undesirable, the government could collapse if a compromise cannot be reached.

Chances for resolving the problem are good based on the government's past record for compromise. Most parties are not ready for elections and only the young left-wingers in parliament would welcome them. Thus, there may be further attempts at compromise in an effort to keep the government intact.

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EC To Sign Trade Pact with Israel

The EC and Israel expect to sign a free trade agreement this weekend that will enter into force on July 1.

Italian objections to easing EC tariffs on competitive agricultural products threatened to block signature of the agreement. As a result, agricultural provisions of the new accord will not come into effect until Rome's problems can be resolved, in part probably through higher community farm subsidies for Italy. This also means that the farm section of the agreement with Israel will not be activated until the negotiations with the Maghreb states, stalled over the same issue, are concluded.

The EC-Israeli accord is the first to be signed as part of the EC's so-called Mediterranean policy. The arrangement provides for the gradual establishment of an industrial free trade area, a reduction in agricultural tariffs, and increased technical, scientific, and industrial cooperation. The agreement also allows Israel to apply for financial assistance once similar arrangements are negotiated between the EC and Egypt, Syria, Lebanon and Jordan. These will constitute the second round of the EC's Mediterranean negotiations and are just getting under way.

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